

CALIFORNIA HORSE RACING BOARD

1010 Hurley Way, Suite 300
Sacramento, CA 95825
www.chrb.ca.gov
(916) 263-6000 Fax (916) 263-6042



LEGISLATIVE, LEGAL AND REGULATIONS COMMITTEE MEETING

of the **California Horse Racing Board** will be held on **Wednesday, September 27, 2017**, commencing at **2:30 p.m.**, in the in the Finish Line Room at the **Los Alamitos Race Course, 4961 Katella Avenue, Los Alamitos, California**. Non-committee Board members attending the committee meeting may not participate in the public discussion, official committee vote, or committee closed session.

Agenda

Agenda Items

1. Discussion and action regarding the **proposed amendment to CHRB Rule 1663, Entry of Claimed Horse**, to provide that a horse claimed out of a claiming race is not eligible to race in any state other than California until 60 days after the close of the meeting from where it was claimed except in a stakes race.
2. Report and discussion regarding **2017 horse racing legislation**.
3. **General Business:** Communications, reports, requests for future actions of the Committee.

Additional information regarding this meeting may be obtained from Jacqueline Wagner at the CHRB Administrative Office, 1010 Hurley Way, Suite 300, Sacramento, CA 95825; telephone (916) 263-6000; fax (916) 263-6042. A copy of this notice can be located on the CHRB website at www.chrb.ca.gov. *Information for requesting disability related accommodation for persons with a disability who require aids or services in order to participate in this public meeting, should contact Jacqueline Wagner.

LEGISLATIVE, LEGAL AND REGULATIONS COMMITTEE

Commissioner Jesse H. Choper, Chairman
Commissioner Araceli Ruano, Member
Rick Baedeker, Executive Director
Jacqueline Wagner, Assistant Executive Director

Item 1

STAFF ANALYSIS
DISCUSSION AND ACTION REGARDING
THE PROPOSED AMENDMENT TO
CHRB RULE 1663, ENTRY OF CLAIMED HORSE,
TO PROVIDE THAT A HORSE CLAIMED OUT OF A CLAIMING RACE
IS NOT ELIGIBLE TO RACE IN ANY STATE OTHER THAN CALIFORNIA
UNTIL 60 DAYS AFTER THE CLOSE OF THE MEETING FROM WHERE IT WAS
CLAIMED EXCEPT IN A STAKES RACE

Legislative, Legal and Regulations Committee
September 27, 2017

PROBLEM

Board Rule 1663 provides that a horse claimed out of a claiming race may immediately run back at any racing association in California. If the horse won the race from which it was claimed, and it is entered in another claiming race within 25 days, it must run for 25 percent more than the amount for which it was claimed. Horses that were not winners of the races from which they were claimed must start in claiming races for at least the same amount at which they were claimed. The rule also provides that a claimed horse may be removed from the grounds of the association from which it was claimed for non-racing purposes. The regulation does not prohibit the new owner from immediately shipping the claimed horse to another racing jurisdiction, which many within the industry believe has a detrimental effect on horse inventory, and contributes to short fields. Rule 1663 was last amended in 2012 to eliminate the 60-day "jail time" for horses claimed in California. The amendment was the result of potential legal problems regarding the jail time. However, recent court decisions in Kentucky have essentially affirmed that state's regulation, which provides that unless the stewards grant permission for a claimed horse to enter and start at an overlapping or conflicting meeting in Kentucky, a horse shall not race elsewhere until the close of entries of the meeting at which it was claimed. The Kentucky rulings have resulted in a proposal to amend Board Rule 1663 to provide for a 60-day jail time for horses claimed in California.

ANALYSIS

The proposed amendment to Rule 1663, which adds a new subsection 1663(c) to provide that a horse claimed out of a claiming race is not eligible to race in any state other than California until 60 days after the close of the meeting from where it was claimed except in a stakes race, was discussed at the July 2017 Regular Board meeting. At that time, interested parties stated that although they supported the concept, California's horse racing industry had changed, and the proposed text did not appear to address the industry's new paradigm. The Board determined it would send the item to the Legislative, Legal and Regulations Committee for further discussion.

BACKGROUND

Business and Professions Code section 19420 provides that jurisdiction and supervision over meetings in California and over all persons or things having to do with such meetings is vested in the California Horse Racing Board (Board). Business and Professions Code section 19440 states

responsibilities of the Board shall include adopting rules and regulations for the protection of the public and the control of horse racing and pari-mutuel wagering. Business and Professions Code section 19562 states the Board may prescribe rules, regulations, and conditions under which all horse races with wagering on their results shall be conducted in California.

RECOMMENDATION

This item is presented for Committee discussion and action.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 7. CLAIMING RACES
PROPOSED AMENDMENT OF
RULE 1663. ENTRY OF CLAIMED HORSE

Legislative, Legal and Regulations Committee
September 27, 2017

1663. Entry of Claimed Horse.

- (a) A horse claimed out of a claiming race is eligible to race at any racing association in California immediately after being claimed.
- (b) If a claimed horse is entered in a claiming race within 25 days of being claimed:
- (1) The horse that won the claiming race from which it was claimed is not eligible to start in a claiming race for less than 25 percent more than the amount for which it was claimed.
- (2) A horse that did not win the claiming race from which it was claimed is not eligible to start in a claiming for less than the amount for which it was claimed.
- (c) A horse claimed out of a claiming race is not eligible to race in any state other than California until 60 days after the close of the meeting from where it was claimed except in a stakes race.
- (ed) A claimed horse may be removed from the grounds of the association where it was claimed for non-racing purposes.
- (de) The provisions of subsection (a) of this rule do not apply to standardbred horses.

Authority: Sections 19420, and 19440,
Business and Professions Code.

Reference: Sections 19562,
Business and Professions Code.

STAFF ANALYSIS
REPORT AND DISCUSSION REGARDING 2017 HORSE RACING LEGISLATION

Legislative, Legal and Regulations Committee Meeting
September 27, 2017

STATE LEGISLATION

The following bills were enrolled during the 2017 legislative session and will become law unless vetoed by the Governor:

AB 460 (Bigelow) Horse racing: satellite wagering facilities: fairs: funding.

- **Background:** The Horse Racing Law authorizes fairs to contract for the operation and management of a satellite wagering facility with an individual racing association or a partnership, joint venture, or other affiliation of two or more racing associations that are licensed to conduct thoroughbred meetings within the northern zone. Additionally, the Horse Racing Law requires fair racing associations to deduct 1% from the total amount handled in its daily conventional and exotic parimutuel pools to be deposited in the Fair and Exposition Fund and, with the approval of the California Department of Food and Agriculture (CDFA), authorizes the expenditure of these funds for the construction or operation of recreational and cultural facilities of general public interest.
- **Effect:** This bill will authorize a fair to contract with two or more fairs that are licensed to conduct thoroughbred meetings or satellite wagering within the northern zone for the operation and management of a satellite wagering facility. This bill will also provide that the 1% deducted from the total amount handled by any fair racing association in its daily conventional and exotic parimutuel pools may be retained by the fair conducting the racing meeting (or a joint powers authority designated by the fair to conduct a live race meeting) for the purposes of improving a fair enclosure, racetrack maintenance, safety at fairs, or other similar activities if two specified conditions are satisfied. The bill will provide that these provisions apply retroactively to January 1, 2016.

AB 1499 (Gray) Horse racing: state-designated fairs: allocation of revenues: gross receipts for sales and use tax.

- **Background:** The Horse Racing Law provides that any unallocated balance from the total revenue received by the Department of Food and Agriculture, except as specified, is hereby appropriated without regard to fiscal years for allocation by the Secretary of Food and Agriculture for capital outlay to California fairs, including state-designated fairs, for among other things, fair projects involving public health and safety, and projects that are required to protect fair property. That law also provides that a portion of these funds may be allocated to California fairs for general operational support.
- **Effect:** This bill will require returns filed with the California Department of Tax and Fee Administration (CDTFA) to report gross receipts for sales and use tax purposes to segregate the gross receipts of the seller and the sales price of the property when the place

STAFF ANALYSIS
REPORT AND DISCUSSION REGARDING 2017 HORSE RACING LEGISLATION

Legislative, Legal and Regulations Committee Meeting
September 27, 2017

STATE LEGISLATION

The following bills were enrolled during the 2017 legislative session and will become law unless vetoed by the Governor:

AB 460 (Bigelow) Horse racing: satellite wagering facilities: fairs: funding.

- **Background:** The Horse Racing Law authorizes fairs to contract for the operation and management of a satellite wagering facility with an individual racing association or a partnership, joint venture, or other affiliation of two or more racing associations that are licensed to conduct thoroughbred meetings within the northern zone. Additionally, the Horse Racing Law requires fair racing associations to deduct 1% from the total amount handled in its daily conventional and exotic parimutuel pools to be deposited in the Fair and Exposition Fund and, with the approval of the California Department of Food and Agriculture (CDFA), authorizes the expenditure of these funds for the construction or operation of recreational and cultural facilities of general public interest.
- **Effect:** This bill will authorize a fair to contract with two or more fairs that are licensed to conduct thoroughbred meetings or satellite wagering within the northern zone for the operation and management of a satellite wagering facility. This bill will also provide that the 1% deducted from the total amount handled by any fair racing association in its daily conventional and exotic parimutuel pools may be retained by the fair conducting the racing meeting (or a joint powers authority designated by the fair to conduct a live race meeting) for the purposes of improving a fair enclosure, racetrack maintenance, safety at fairs, or other similar activities if two specified conditions are satisfied. The bill will provide that these provisions apply retroactively to January 1, 2016.

AB 1499 (Gray) Horse racing: state-designated fairs: allocation of revenues: gross receipts for sales and use tax.

- **Background:** The Horse Racing Law provides that any unallocated balance from the total revenue received by the Department of Food and Agriculture, except as specified, is hereby appropriated without regard to fiscal years for allocation by the Secretary of Food and Agriculture for capital outlay to California fairs, including state-designated fairs, for among other things, fair projects involving public health and safety, and projects that are required to protect fair property. That law also provides that a portion of these funds may be allocated to California fairs for general operational support.
- **Effect:** This bill will require returns filed with the California Department of Tax and Fee Administration (CDTFA) to report gross receipts for sales and use tax purposes to segregate the gross receipts of the seller and the sales price of the property when the place

of sale in this state or for use in this state is on or within the real property of a state-designated fair, as defined, or any real property of a state-designated fair that is leased to another party. The bill will require the CDTFA to report the amount of the total gross receipts segregated on the returns filed pursuant to these provisions to the Department of Finance on or before November 1 of each year. The bill will require that an amount equal to 3/4 of 1% of the total amount of gross receipts reported to the Department of Finance be included in the next annual Governor's Budget for the CDFA for allocation to fairs pursuant to the provisions described above. The bill will require, upon the enactment of the annual Budget Act, that this amount be transferred by the Controller to the Fair and Exposition Fund, which is continuously appropriated, and will allocate these moneys to state-designated fairs, as specified. The bill will provide that the CDTFA be paid the actual cost for administering those provisions, as specified.

AB 1723 (Assembly G.O. Committee) Horse Racing Law.

- Background: Until January 1, 2018, existing law requires any racing association, including a fair, which conducts thoroughbred racing to pay to the owners' organization contracting with the association an additional 1¼ percent of the portion required to be deducted for purses for a national marketing program, as specified. The law further requires the owners' organization to annually file a report with the board and specified committees of the Legislature accounting for the receipt and expenditure of these funds. Existing law also provides that all money representing penalties or fines imposed by the stewards of a horse race meeting be collected by the licensee of the meeting and paid to the board within 10 days after its close. Finally, current law requires that a percentage of uncashed tickets be distributed to a welfare fund established for the benefit of horsemen and backstretch personnel.
- Effect: This bill will extend the sunset for the national marketing program funds to January 1, 2022, and remove the requirement that owners' organizations file the report with the legislative committees. The bill will also clarify that penalty/fine moneys are to be paid to the board within 10 *business* days. Finally, the bill will authorize, upon approval of the Board, moneys in the welfare fund to be used to provide health services to licensees under the Horse Racing Law, employees of racing associations, and members of horsemen's and horsewomen's organizations and other racing-related charitable organizations representing or assisting backstretch personnel.

SB 368 (McGuire) Horse racing: fairs: funding.

- Background: The Horse Racing Law provides that any unallocated balance from the total revenue received by the CDFA pursuant to that law, except as specified, is hereby appropriated without regard to fiscal years for allocation by the Secretary of Food and Agriculture for capital outlay to California fairs for, among other things, fair projects involving public health and safety and projects that are required to protect fair property. That law also provides that a portion of these funds may be allocated to California fairs for general support.
- Effect: This bill will specify that any unallocated balance of revenues derived from satellite wagering license fees, the 1% of handle deposited into the Fair and Exposition Fund from

live racing fairs, and all other funding that is appropriated by the Legislature or otherwise designated for California fairs is continuously appropriated for allocation by the Secretary of CDFA for capital outlay to California fairs. This includes fair projects involving public health and safety, projects involving major and deferred maintenance, projects necessary due to any emergency, projects that are required by physical changes to the fair site, projects that are required to protect the fair property or installation, such as fencing and flood protection, and for the acquisition or improvement of any property or facility that will serve to enhance the operation of the fair.

FEDERAL LEGISLATION

HR 2651: Horseracing Integrity Act. This bill was introduced by Rep. Andy Barr on May 27, 2017, and would implement a uniform anti-doping and medication control program to be developed and enforced by an independent Horseracing Anti-Doping and Medication Control Authority. The bill has 73 cosponsors and has been referred to the House Energy and Commerce Committee.

CHAPTER _____

An act to amend Sections 19605 and 19614 of the Business and Professions Code, relating to horse racing, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 460, Bigelow. Horse racing: satellite wagering facilities: fairs: funding.

(1) The Horse Racing Law permits the California Horse Racing Board to authorize an association licensed to conduct a racing meeting to also operate a satellite wagering facility at its racetrack inclosure, under specified conditions that differ between the northern zone and the central and southern zones, and provides specific guidelines for the operation and location of these facilities. That law also authorizes fairs to contract for the operation and management of a satellite wagering facility with an individual racing association or a partnership, joint venture, or other affiliation of 2 or more racing associations that are licensed to conduct thoroughbred meetings within the northern zone.

This bill would instead authorize a fair to contract for the operation and management of a satellite wagering facility with an individual racing association or a partnership, joint venture, or other affiliation of 2 or more racing associations or fairs that are licensed to conduct thoroughbred meetings or simulcast wagering within the northern zone.

(2) The Horse Racing Law requires, except as specified, for a fair conducting a live racing meeting, that 1% of the total amount handled on live races, excluding wagering at a satellite facility, be retained by the fair association for payment to the state as a license fee. That law also requires any fair racing association to additionally deduct 1% from the total amount handled in its daily conventional and exotic parimutuel pools and requires that this additional amount be deposited in the Fair and Exposition Fund and, with the approval of the Department of Food and Agriculture, authorizes the expenditure of these funds for the construction or operation of recreational and cultural facilities of general public interest.

This bill would provide that the additional 1% deducted from the total amount handled by any fair racing association in its daily conventional and exotic parimutuel pools may be retained by a fair conducting a live racing meeting at a fair in the northern zone or a joint powers authority designated by a fair racing association in the northern zone involved in conducting live racing meetings at fairs in the northern zone for the purposes of improving a fair enclosure, racetrack maintenance, safety at fairs, or other similar activities if 2 specified conditions are satisfied. The bill would provide that these provisions apply retroactively to January 1, 2016.

By appropriating an amount of money deposited in the Fair and Exposition Fund, which is a continuously appropriated fund, for new purposes, the bill would make an appropriation.

Appropriation: yes.

The people of the State of California do enact as follows:

SECTION 1. Section 19605 of the Business and Professions Code is amended to read:

19605. (a) Notwithstanding any other law, the board may authorize an association licensed to conduct a racing meeting in the northern zone to operate a satellite wagering facility for wagering on races conducted in the northern zone at its racetrack inclosure subject to all of the conditions specified in Section 19605.3, and may authorize an association licensed to conduct a racing meeting in the central or southern zone to operate a satellite wagering facility for wagering on races conducted in the central or southern zone at its racetrack inclosure subject to the conditions specified in subdivisions (a) to (e), inclusive, of Section 19605.3 and the conditions and limitations set forth in Section 19605.6.

(b) Notwithstanding any other law, no satellite wagering facility, except a facility that is located at a track where live racing is conducted, shall be located within 20 miles of any existing satellite wagering facility or of any track where a racing association conducts a live racing meeting. However, in the northern zone, a racing association or any existing satellite wagering facility may waive the prohibition contained in this subdivision and may consent to the location of another satellite wagering facility within 20 miles of the facility or track.

(c) Notwithstanding subdivision (b), the Department of Food and Agriculture may approve not more than three satellite wagering facilities that are licensed jointly to the 1a District Agricultural Association and the 5th District Agricultural Association and that are located on the fairgrounds of the 1a District Agricultural Association or within the boundaries of the City and County of San Francisco. Before a satellite wagering facility may be licensed for the 1997 and subsequent calendar years under this subdivision, the department shall conduct a one-year test at the proposed site in order to determine the impact of the proposed facility on total state parimutuel revenues and on attendance and wagering at existing racetracks and fair satellite wagering facilities in the Counties of Alameda, San Mateo, Santa Clara, and Solano. Notwithstanding Section 19605.1, a satellite wagering facility may be located on property leased to one or both fairs. Notwithstanding any other law, the fairs may contract for the operation and management of a satellite wagering facility with an individual racing association or a partnership, joint venture, or other affiliation of two or more racing associations or fairs that are licensed to conduct thoroughbred meetings or simulcast wagering within the northern zone.

(d) Subdivision (b) shall not be construed to prohibit the location of satellite wagering facilities within 20 miles of any existing or proposed satellite facility established pursuant to subdivision (c).

SEC. 2. Section 19614 of the Business and Professions Code is amended to read:

19614. (a) Notwithstanding Sections 19611 and 19612, and except for an association that qualifies pursuant to Section 19612.6, for a fair conducting a live racing meeting, 1 percent of the total amount handled on live races, excluding wagering at a satellite facility, shall be retained by the fair association for payment to the state as a license fee.

(b) Additionally, 0.48 percent of the total amount handled on live racing, excluding wagering at a satellite facility, shall be deposited with the official registering agency pursuant to subdivision (a) of Section 19617.2, and shall thereafter be distributed in accordance with subdivisions (b), (c), and (d) of Section 19617.2.

(c) (1) After distribution of the applicable amounts as set forth in subdivisions (a) and (b) and the payments made pursuant to

other relevant sections of this chapter, all funds remaining from the deductions provided in Section 19610 shall be distributed 47.5 percent as commissions and 52.5 percent as purses. From the amount distributed as thoroughbred purses, a sum equal to 0.07 percent of the total handle shall be held by the association to be deposited with the official registering agency pursuant to subdivision (a) of Section 19617.2, and shall thereafter be distributed in accordance with subdivisions (b), (c), and (d) of Section 19617.2.

(2) Any additional amount generated for purses and not distributed during the previous corresponding meeting shall be added to the purses at the current meeting.

(d) In addition to the amounts deducted pursuant to Section 19610, any fair racing association shall deduct 1 percent from the total amount handled in its daily conventional and exotic parimutuel pools. The additional 1 percent shall be deposited in the Fair and Exposition Fund and is hereby appropriated for the purposes specified in Section 19630, except as specified in subdivision (e).

(e) (1) A fair conducting a live racing meeting at a fair in the northern zone or a joint powers authority designated by a fair racing association in the northern zone involved in conducting live racing meetings at fairs in the northern zone may retain the funds described in subdivision (d) for the purposes of improving a fair enclosure, racetrack maintenance, safety at fairs, or other similar activities if both of the following conditions are satisfied:

(A) The administrative costs do not exceed 7.5 percent of the funds retained.

(B) An annual audit of the funds is conducted by an independent third party to ensure compliance with the law and approved standards and policies that shall be filed with the Department of Food and Agriculture, the board, and the Senate and Assembly Committees on Governmental Organization.

(2) This subdivision shall apply retroactively to January 1, 2016.

CHAPTER _____

An act to add Section 19620.15 to the Business and Professions Code, relating to horse racing, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 1499, Gray. Horse racing: state-designated fairs: allocation of revenues: gross receipts for sales and use tax.

The Horse Racing Law provides that any unallocated balance from the total revenue received by the Department of Food and Agriculture pursuant to that law, except as specified, is hereby appropriated without regard to fiscal years for allocation by the Secretary of Food and Agriculture for capital outlay to California fairs, including state-designated fairs, for among other things, fair projects involving public health and safety, and projects that are required to protect fair property. That law also provides that a portion of these funds may be allocated to California fairs for general operational support.

This bill would, beginning July 1, 2018, require a return filed with the California Department of Tax and Fee Administration (CDTFA) to report gross receipts for sales and use tax purposes to segregate the gross receipts of the seller and the sales price of the property on a line or a separate form as prescribed by the CDTFA when the place of sale in this state or for use in this state is on or within the real property of a state-designated fair, as defined, or any real property of a state-designated fair that is leased to another party. The bill would require the CDTFA to report the amount of the total gross receipts segregated on the returns filed pursuant to these provisions to the Department of Finance on or before November 1 of each year. The bill would require the CDTFA to estimate the total gross receipts segregated for the 2019–20 fiscal year by January 31, 2019, based on the 3rd quarter of 2018, and would require that an amount equal to $\frac{3}{4}$ of 1% of this estimated amount be included in the Governor's revised budget in May 2019 for allocation to fairs pursuant to the provisions described above. The bill would require the CDTFA to reconcile this first-year estimate with actual return data from the full 2018–19

fiscal year, and to then adjust this figure as appropriate as the amount to be reported to the Department of Finance on November 1, 2019.

The bill would require that an amount equal to $\frac{3}{4}$ of 1% of the total amount of gross receipts reported to the Department of Finance be included in the next annual Governor's Budget for the Department of Food and Agriculture for allocation to fairs pursuant to the provisions described above. The bill would require, upon the enactment of the annual Budget Act, that this amount be transferred by the Controller to the Fair and Exposition Fund, which is continuously appropriated, and would allocate these moneys to state-designated fairs for specified fair projects and subject to certain conditions. The bill would require the CDTFA to be paid the actual cost for administering those provisions, as specified.

By creating a new source of revenue to be deposited into a continuously appropriated fund, the bill would make an appropriation.

Appropriation: yes.

The people of the State of California do enact as follows:

SECTION 1. Section 19620.15 is added to the Business and Professions Code, to read:

19620.15. (a) Notwithstanding any other law, a return filed with the California Department of Tax and Fee Administration (CDTFA) to report gross receipts for sales and use tax purposes shall segregate the gross receipts of the seller and the sales price of the property on a line or a separate form as prescribed by the CDTFA when the place of sale in this state or for use in this state is on or within the real property of a state-designated fair or any real property of a state-designated fair that is leased to another party.

(b) For purposes of this section, "state-designated fair" means a state-designated fair as defined in Sections 19418, 19418.1, 19418.2, and 19418.3.

(c) The CDTFA shall add a line to a current return, or develop a separate form for purposes of this section.

(d) The CDTFA shall report the amount of the total gross receipts segregated on the returns filed pursuant to subdivision (a)

to the Department of Finance on or before November 1 of each year.

(e) The CDTFA shall estimate the total gross receipts segregated for the 2019–20 fiscal year by January 31, 2019, based on the third quarter of 2018. An amount equal to three-quarters of 1 percent of this estimated amount shall be included in the Governor's revised budget in May 2019 for allocation to fairs pursuant to Section 19620.2. The CDTFA shall reconcile this first-year estimate with actual return data from the full 2018–19 fiscal year, and then adjust this figure as appropriate as the amount to be reported to the Department of Finance on November 1, 2019.

(f) An amount equal to three-quarters of 1 percent of the total amount of gross receipts reported to the Department of Finance specified in subdivision (d) shall be included in the next annual Governor's Budget for the Department of Food and Agriculture for allocation to fairs pursuant to Section 19620.2. Upon the enactment of the annual Budget Act, the amount appropriated by the Legislature to the Department of Food and Agriculture pursuant to this section shall be transferred by the Controller to the Fair and Exposition Fund in the State Treasury, and shall be continuously appropriated and allocated pursuant to Section 19620.2.

(g) The CDTFA shall be paid the actual cost for administering the provisions of this section from the funds appropriated pursuant to subdivision (f) before any allocation is made to fairs in accordance with Section 19620.2.

(h) (1) Any revenues deposited into the Fair and Exposition Fund pursuant to this section shall only be allocated to a state-designated fair if nonmanagement employees at that state-designated fair, or nonmanagement employees at any real property of that state-designated fair that is leased to another party, are provided the following working conditions:

(A) The employee receives a meal period of not less than 30 minutes for a work period of more than five hours per day, unless the work period per day of the employee is less than six hours and the meal period is waived by mutual consent of both the employer and the employee.

(B) The employee receives a second meal period of not less than 30 minutes for a work period of more than 10 hours per day, unless the work period per day of the employee is less than 12 hours, the second meal period is waived by mutual consent of both

the employer and the employee, and the first meal period was not waived.

(C) Any work in excess of eight hours in one workday, any work in excess of 40 hours in any one workweek, and the first eight hours worked on the seventh day of work in any one workweek is compensated at the rate of no less than one and one-half times the regular rate of pay for an employee.

(D) Any work in excess of 12 hours in one day is compensated at the rate of no less than twice the regular rate of pay for an employee.

(E) Any work in excess of eight hours on any seventh day of a workweek is compensated at the rate of no less than twice the regular rate of pay for an employee.

(2) This subdivision shall not apply to full-time carnival ride operators employed by a traveling carnival.

(i) This section shall become operative on July 1, 2018.

AMENDED IN SENATE AUGUST 30, 2017

AMENDED IN SENATE JUNE 26, 2017

CALIFORNIA LEGISLATURE—2017-18 REGULAR SESSION

ASSEMBLY BILL

No. 1723

Introduced by Committee on Governmental Organization (Assembly Members Gray (Chair), Bigelow (Vice Chair), Acosta, Aguiar-Curry, Bocanegra, Brough, Cooley, Cooper, Daly, Gallagher, Gipson, Kiley, Rubio, Salas, and Waldron)

March 16, 2017

An act to amend Sections 19613.05, 19640, and 19641 of the Business and Professions Code, relating to horse racing.

LEGISLATIVE COUNSEL'S DIGEST

AB 1723, as amended, Committee on Governmental Organization. Horse Racing Law.

Existing law, the Horse Racing Law, generally regulates horse racing and vests the administration and enforcement of the Horse Racing Law in the California Horse Racing Board. Existing law, until January 1, 2018, requires any racing association, including a fair, that conducts thoroughbred racing to pay to the owners' organization contracting with the association with respect to the conduct of thoroughbred racing an additional 1 ¼% of the portion required to be deducted for purses for a national marketing program, as specified. Existing law requires an owners' organization to annually file a report with the board and specified committees of the Legislature accounting for the receipt and expenditure of these funds. *A violation of the Horse Racing Law is a crime.*

This bill would *extend the requirement to pay the additional percentage until January 1, 2022, and would not require the owners' organization to file the report with the legislative committees. By extending the duration of a crime, this bill would impose a state-mandated local program.*

Existing law provides that all money representing penalties or fines imposed by the stewards of a horse race meeting be collected by the licensee of the meeting and paid to the board within 10 days after its close.

This bill would clarify that the moneys be paid to the board within 10 business days.

Existing law prescribes the method for redistributing money in a parimutuel pool subject to payment to a claimant, but not successfully claimed. Existing law requires that $\frac{1}{2}$ of the redistributable money resulting from the thoroughbred, harness, or quarter horse meetings, but excluding the meetings of the California Exposition and State Fair or county, district agricultural association, or citrus fruit fair meetings, be distributed to a welfare fund established for the benefit of horsemen and backstretch personnel.

This bill would authorize, upon approval of the board, moneys in the welfare fund to be used to provide treatment for, and support the health care needs of, licensees under the Horse Racing Law, employees of racing associations, and members of horsemen's and horsewomen's organizations and other racing-related charitable organizations representing or assisting backstretch personnel, if the need for the treatment and support is related to the person's participation in the horse racing industry.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: ~~no~~-yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 19613.05 of the Business and Professions
- 2 Code is amended to read:

1 19613.05. (a) Any association, including a fair, that conducts
2 thoroughbred racing shall pay to the owners' organization,
3 contracting with the association with respect to the conduct of
4 thoroughbred racing, an additional $1\frac{3}{4}$ percent of the portion
5 deducted for purses, required by Section 19613, for a national
6 marketing program. These funds shall be used exclusively for the
7 promotion of thoroughbred racing in conjunction with a national
8 thoroughbred racing marketing program. Funds that may not be
9 needed for this effort shall be returned to the purse pool at the
10 racing associations where these funds were raised in direct
11 proportion to the amount in which they were initially raised. The
12 owners' organization shall file a report with the board accounting
13 for the receipt and expenditure of these funds on an annual basis.
14 The board of directors of the owners' organization shall have the
15 discretion to select the national marketing organization that shall
16 be the recipient of these funds. If the board of directors of the
17 owners' organization decides at any time not to contribute to the
18 national marketing organization, notice shall be given promptly
19 to the respective racing association or associations and the $1\frac{3}{4}$
20 percent deduction shall cease until the owners' organization decides
21 otherwise.

22 (b) This section shall remain in effect only until January 1, ~~2018~~,
23 2022, and as of that date is repealed, unless a later enacted statute
24 that is enacted before January 1, ~~2018~~, 2022, deletes or extends
25 that date.

26 SEC. 2. Section 19640 of the Business and Professions Code
27 is amended to read:

28 19640. All money representing penalties or fines imposed by
29 the stewards of a horse race meeting shall be collected by the
30 licensee of the meeting and paid to the board within 10 business
31 days after its close, and the board shall deposit all those moneys
32 in the State Treasury to the credit of the General Fund.

33 SEC. 3. Section 19641 of the Business and Professions Code
34 is amended to read:

35 19641. (a) (1) Except as provided in subdivision (b), any
36 redistributable money in a parimutuel pool subject to payment to
37 a claimant pursuant to Section 19598, but not successfully claimed
38 within that period, shall be paid to the board, as follows:

39 (A) An estimated payment equal to 20 percent of the preceding
40 year's unclaimed redistributable money paid pursuant to this

1 paragraph shall be paid to the board on July 1, October 1, January
2 1, and April 1, or the next business day thereafter.

3 (B) On May 30, or the next business day thereafter, of the year
4 following the close of a horse racing meeting, the association shall
5 pay to the board all of the redistributable funds that are owed it
6 pursuant to this paragraph, less estimated payments made pursuant
7 to subparagraph (A).

8 (2) The money received by the board under this subdivision
9 resulting from thoroughbred, harness, or quarter horse meetings,
10 but excluding the meetings of the California Exposition and State
11 Fair or of a county, district agricultural association, or citrus fruit
12 fair, shall be used by the board to support research on matters
13 pertaining to horse racing and racetrack security, but the money
14 shall be subject to annual budgetary review by the Legislature. All
15 of the redistributable money received by the board from other
16 meetings shall be paid immediately into the State Treasury to the
17 credit of the General Fund.

18 (b) (1) One-half of the redistributable money resulting from
19 the thoroughbred, harness, or quarter horse meetings, but excluding
20 the meetings of the California Exposition and State Fair or county,
21 district agricultural association, or citrus fruit fair meetings, shall
22 be distributed to a welfare fund established for the benefit of
23 horsemen and horsewomen and backstretch personnel, as follows:

24 (A) An estimated payment equal to 20 percent of the preceding
25 year's unclaimed redistributable money distributed pursuant to
26 this paragraph shall be distributed to the welfare fund on July 1,
27 October 1, January 1, and April 1, or the next business day
28 thereafter.

29 (B) On May 30, or the next business day thereafter, of the year
30 following the close of a horse racing meeting, the association shall
31 pay to the welfare fund all of the redistributable funds that are
32 owed it pursuant to this paragraph, less estimated payments made
33 pursuant to subparagraph (A).

34 (2) The welfare fund shall make an accounting to the board
35 within one calendar year of the receipt of the payment.

36 (3) Upon approval of the board, moneys under this subdivision
37 may be used to provide treatment for, and support the health care
38 needs of, licensees under this chapter, employees of racing
39 associations, and members of horsemen's and horsewomen's
40 organizations and other racing-related charitable organizations

1 representing or assisting backstretch personnel, if the need for the
2 treatment and support is related to the person's participation in the
3 horse racing industry.

4 (c) Except as provided in subdivision (a) or (b), any remaining
5 redistributable money in a parimutuel pool subject to payment to
6 a claimant pursuant to Section 19598, but not successfully claimed
7 within the period specified in that section, shall be distributed
8 one-half to the board, for the purposes specified and in the manner
9 specified in subdivision (a), and one-half to the welfare fund
10 established by the horsemen's and horsewomen's organization
11 described in subdivision (b) in the manner specified in subdivision
12 (b).

13 *SEC. 4. No reimbursement is required by this act pursuant to*
14 *Section 6 of Article XIII B of the California Constitution because*
15 *the only costs that may be incurred by a local agency or school*
16 *district will be incurred because this act creates a new crime or*
17 *infraction, eliminates a crime or infraction, or changes the penalty*
18 *for a crime or infraction, within the meaning of Section 17556 of*
19 *the Government Code, or changes the definition of a crime within*
20 *the meaning of Section 6 of Article XIII B of the California*
21 *Constitution.*

CHAPTER _____

An act to amend Section 19620.2 of the Business and Professions Code, and to amend Section 3200 of the Food and Agricultural Code, relating to horse racing, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 368, McGuire. Horse racing: fairs: funding.

(1) The Horse Racing Law provides that any unallocated balance from the total revenue received by the Department of Food and Agriculture pursuant to that law, except as specified, is hereby appropriated without regard to fiscal years for allocation by the Secretary of Food and Agriculture for capital outlay to California fairs for, among other things, fair projects involving public health and safety and projects that are required to protect fair property. That law also provides that a portion of these funds may be allocated to California fairs for general support.

This bill would revise these provisions to include revenue deposited into the Fair and Exposition Fund pursuant to a specified provision and funding appropriated by the Legislature or otherwise designated for California fairs pursuant to the Horse Racing Law or any other law that is to be appropriated without regard to fiscal years for allocation by the secretary for those capital outlay purposes.

(2) Existing law provides that all funds appropriated for California fairs and expositions pursuant to specified provisions of law shall not be utilized for the purposes specified in those provisions but shall instead be utilized for the construction or operation of recreational and cultural facilities of general public interest and may be allocated by the Secretary of Food and Agriculture to all state-designated fairs for those purposes.

This bill would delete these provisions and instead require that all funds appropriated or designated for California fairs and expositions pursuant to specified law or any other law be deposited into the Fair and Exposition Fund and be continuously appropriated as provided in specified provisions of the Horse Racing Law.

(3) By increasing the amounts to be deposited into the Fair and Exposition Fund, which is continuously appropriated, and by appropriating these amounts for new purposes, the bill would make an appropriation.

Appropriation: yes.

The people of the State of California do enact as follows:

SECTION 1. Section 19620.2 of the Business and Professions Code is amended to read:

19620.2. (a) Any unallocated balance from Sections 19606.1 and 19620.1, revenue deposited into the Fair and Exposition Fund pursuant to Section 19614, and funding appropriated by the Legislature or otherwise designated for California fairs pursuant to this chapter or any other law is hereby appropriated without regard to fiscal years for allocation by the Secretary of Food and Agriculture for capital outlay to California fairs for fair projects involving public health and safety, for fair projects involving major and deferred maintenance, for fair projects necessary due to any emergency, for projects that are required by physical changes to the fair site, for projects that are required to protect the fair property or installation, such as fencing and flood protection, and for the acquisition or improvement of any property or facility that will serve to enhance the operation of the fair.

(b) A portion of the funds subject to allocation pursuant to subdivision (a) may be allocated to California fairs for general operational support. It is the intent of the Legislature that these moneys be used primarily for those fairs whose sources of revenue may be limited for purposes specified in this section.

SEC. 2. Section 3200 of the Food and Agricultural Code is amended to read:

3200. All funds appropriated or designated for California fairs and expositions pursuant to this chapter or any other law shall be deposited into the Fair and Exposition Fund and be continuously appropriated as specified in Sections 19606.1 and 19620.2 of the Business and Professions Code.

CALIFORNIA HORSE RACING BOARD

SEPTEMBER 27, 2017
COMMITTEE MEETING

There is no committee material for Item 3